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AICPA *Washington Report*

November 19, 1984, Volume XIII, Issue 39

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COMMERCE, DEPARTMENT OF

State government debt rose faster in fiscal 1983 than in any year since 1976 according to a recent Census Bureau report. The 1983 debt of \$167.3 billion was up 13.4% over 1982, the highest since a 17% increase from 1975 to 1976. Long term debt was up 14.6% while short term debt fell 31.1%. Nine states showed 1982-83 total debt increases of more than 25%, they include: Arizona, Colorado, Utah, Nebraska, New Mexico, Iowa, Montana, Louisiana, and Alaska. State government revenue in 1983 rose 8.1%, coming mostly from taxes, federal aid, and insurance trust income. Total state expenditures increased 7.6%. Copies of State Government Finances in 1983, GF-83, No.3 are available for \$3.00 from the Data User Services Division, Customer Services, Bureau of the Census, Washington, D.C.

In a related matter, the Census Bureau reports that taxes collected by federal, state, and local governments in fiscal 1983 decreased for the first time in 12 years. The 1983 total of \$665.8 billion was .8% less than that collected in 1982. Income taxes on individuals and corporations dropped 4.3%. Federal corporate income taxes decreased \$12.2 billion, while individual income taxes declined \$9.2 billion. Copies of the report, Governmental Finances in 1982-83, GF-83, No. 5, are available for \$4.25 from the above address.

FARMERS HOME ADMINISTRATION

An OMB Circular A-76 cost comparison study of FmHA's National Office Central File Unit in Washington, D.C. has been announced by the Administration (see the 11/8/84 Fed. Reg., p. 44658). The study is scheduled to begin 12/1/84. A specific invitation for bid or request for proposal will be announced in the Commerce Business Daily. A contract may or may not result from the cost comparison study. For further information contact Leonard Hardy at 202/475-5170.

FEDERAL ELECTION COMMISSION

For every \$1.00 raised by Democrats, the Republicans raised \$3.50; and for every \$1.00 spent by Democrats, the Republicans spent \$3.30, according to a Federal Election Commission (FEC) Report issued just prior to the elections. The Report showed that the Democratic Party has narrowed a long-standing financial gap with their activity in the 1983-84 election cycle, but that the Republican Party remains far ahead, both in receipts and expenditures. While nationwide political party activity through June 30 showed the gap narrowing between the parties, the financial activity of the national committees through 10/17/84 reveals the Republicans hold a 4 to 1 lead in both receipts and expenditures, down from a 5 to 1 lead in the full 1981-82 election cycle. From 1/1/83, through mid-October 1984, according to FEC compilations, the national-level committees of the Republican Party have raised \$225.4 million and have spent \$217.6 million. The national committees of the Democratic Party have raised \$57.3 million and have spent \$54.4 million. Once state and local political party activity is included in the totals, the disparity may change. However, those figures are not yet available. The figures show that as of 10/17/84, the Republican Party at the national level had contributed \$3.8 million to candidates and had spent an additional \$14.3 million on their behalf in general election campaigns. These "coordinated expenditures" are monies spent by the parties on behalf of their candidates in the general election and are in addition to contributions made directly to candidates' campaigns. The Democratic Party national-level committees had contributed \$1.2 million and spent \$4.6 million on behalf of candidates through the same mid-October date. These figures show the national committees of the Republican Party have a 3 to 1 lead over their Democratic counterparts in direct candidate support activity. The FEC has also released a detailed 18-month study of campaign finance activity by political party committees. The study shows that Republican Party committees at all levels had raised \$207.7 million and spent \$171.0 million from

January 1, 1983, through June 30, 1984. The Democratic Party had raised \$59.7 million and spent \$52.1 million through the same time period. In 1981-82, Republican fundraising was 6½ times higher than Democratic fundraising; their spending was 5½ times higher than the Democrats'. In 1979-80, both fundraising and spending by Republicans were 5½ times as much as Democrats for 18-months of activity. The FEC figures also show that for the same 18-month period, the Democratic Party received four times as much money from PAC's as did the Republican Party; however, PAC contributions to the parties still remain low - \$5 million, or 3.3% of total PAC spending. The Republican Party continues to lead the Democratic Party in contributions from individuals, raising 5½ times more money in this category, or \$180.6 million compared with the Democrats' \$33 million. (18-month figures.) The FEC Report on Financial Activity, 1983-84, Interim Report No. 8: Party and Non-Party Political Committees is a four-volume set. Copies may be purchased from the FEC Office of Public Records for \$15 per volume. Payment in advance is required and checks should be made payable to the Federal Election Commission, 1325 K Street, N.W., Washington, D.C. 20463.

FEDERAL RESERVE BOARD

Unfair or deceptive acts or practices of banks, to implement the Federal Trade Commission's (FTC) credit practices rule prohibiting certain contract provisions and practices deemed unfair or deceptive, will be the subject of an 11/21/84 Open Meeting of the Federal Reserve Board (FED). In addition, proposed amendments to Regulation Z (Truth in Lending) will also be considered. The meeting will begin at 10:00 a.m. in the Marriner S. Eccles Federal Reserve Board Building, C Street between 20th and 21st Streets, Washington, D.C. 20551. For further information contact Joseph R. Coyne at 202/452-3204.

GENERAL ACCOUNTING OFFICE

National and international economic conditions currently affecting banks and other financial institutions have influenced two audit reports recently issued by the U.S. General Accounting Office (GAO). In one case, the GAO rendered an adverse opinion on the Export-Import Bank's (Eximbank) FY 1983 financial statements because Eximbank's financial statements did not include a reserve for uncollectible receivables even though Eximbank's assets included a significant amount of loans which were in arrears, under reschedulings, or outstanding to countries experiencing financial difficulties. In part, the GAO Report stated that: The Bank's financial statements do not include an allowance for estimated losses that are likely to be sustained due to the uncollectibility of a portion of the loans it has made. If such an allowance had been deducted, GAO estimates that the Bank's equity would have been decreased by \$1.0 to \$1.5 billion, resulting in accumulated income of between \$0.3 and \$0.8 billion. In GAO's opinion, because of the materiality of the effect of not including such an allowance, the Bank's financial statements do not present fairly its financial position as of September 30, 1983, or the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles. In another case, the GAO rendered an unqualified opinion on the Federal Deposit Insurance Corporation's (FDIC) financial statements for calendar year 1983, while including information in its audit report about the FDIC's assistance to the Continental Illinois National Bank and Trust Company to emphasize an "unusually important subsequent event". An emergency assistance package, totalling some \$7.5 billion was arranged by the FDIC, Comptroller of the Currency, and 28 commercial banks. In addition, the FDIC took an unprecedented action by guaranteeing all of Continental's deposits and debts. The FDIC action was defended by FDIC Chairman William Isaac in testimony before a Subcommittee of the House Banking Committee on 10/4/84 (see the 10/8/84 Wash. Rpt.).

A Small Business Development Center (SBDC) has been established in Houston, Texas, according to the Small Business Administration. The center, to be headquartered at the University of Houston will serve the small business community in 32 counties located in Southeastern Texas. According to James C. Sanders, SBA intends to establish four SBDCs to serve the Texas small business community. "The SBDC program is an example of the educational community and the federal government working together for the benefit of small businesses," Sanders said. SBA has provided funding of \$253,175 with matching funds to come from the university and the private sector. The services available at the Houston SBDC include management counseling, training and business analysis. Dr. Jon Goodman, assistant professor in the College of Business Administration at the University of Houston, will serve as director. During the first year of operation, assistance in the 32-county area will be provided through a sub-center and by circuit riders; the second year the SBDC will expand to include other universities in the area.

TREASURY, DEPARTMENT OF

The date of a public hearing on proposed regulations relating to tax shelter registration and the requirement to maintain lists of investors in potentially abusive tax shelters has been changed to 1/17/85 (see the 11/16/84 Fed. Reg., p. 45452). The hearing will focus on temporary regulations issued in August, 1984 (see the 9/24/84 Wash. Rpt.). The hearing is scheduled to begin at 10:00 a.m. in the IRS Auditorium. Comments are requested by 1/3/85.

Regulations which seek to require annual reporting of information relating to individual retirement plans have recently been proposed by the IRS (see the 11/16/84 Fed. Reg., pp. 45450-52). The regulations reflect changes made to the applicable reporting requirements by both news release IR-83-88 and the Tax Reform Act of 1984. The regulations affect trustees of individual retirement accounts and issuers of individual retirement annuities (including accounts and annuities that are simplified employee pensions), and individuals who own or benefit from such individual retirement plans. Comments are requested by 1/15/85. For further information contact Philip Bosco at 202/566-3430.

For additional information, please contact Stephanie McCarthy, Gina Rosasco, or Nick Nichols at 202/872-8190.

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